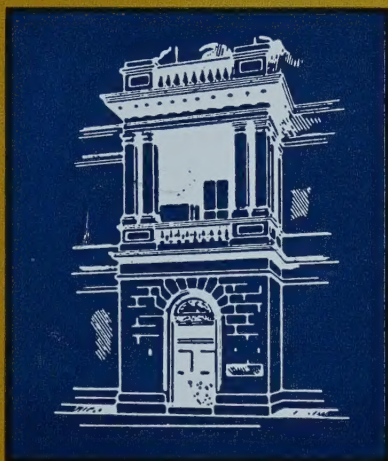


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THE
Empire Life
INSURANCE COMPANY



ANNUAL REPORT
1966

HEAD OFFICE—KINGSTON, ONTARIO

BOARD OF DIRECTORS



HENRY R. JACKMAN, Q.C.

Chairman
Toronto, Ont.

CHARLES P. FELL, LL.D.

President
Toronto, Ont.

HERBERT H. BLAKEMAN, F.S.A., F.C.I.A.

Vice-President and Managing Director
Kingston, Ont.

Honourable LOUIS P. BEAUBIEN, Senator
Montreal, P.Q.

Air Marshal WILFRED A. CURTIS, C.B., C.B.E., D.S.C., LL.D., E.D.
Toronto, Ont.

NEWMAN A. FAIRHEAD

Toronto, Ont.

HENRY N. R. JACKMAN

Toronto, Ont.

WILLIAM A. MACKINTOSH, C.M.G., Ph.D., LL.D.

Kingston, Ont.

N. DONALD McDONALD, M.B.E., F.L.M.I.

Kingston, Ont.

Honourable ROLAND MICHENER, P.C., Q.C.

Toronto, Ont.

THOMAS OAKLEY

Bobcaygeon, Ont.

ARTHUR PEDOE, F.I.A., F.S.A., F.C.I.A.

Toronto, Ont.

THE
Empire Life
INSURANCE COMPANY

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DIRECTORS' REPORT FOR THE YEAR 1966

Your Directors have pleasure in presenting the forty-fourth Annual Report on the operations of the Company. The balance sheet as of 31 December, 1966 and the revenue statement for 1966 are included and form part of this report.

The performance of the Canadian economy during the past year has exceeded our expectations in some areas and has been disappointing in others. Much of our industry operated at levels close to capacity, our exports of primary and manufactured products surpassed all previous amounts and our wheat crop was the largest on record with assured markets for some time to come. Employment opportunities have outstripped the supply of skilled labour with unemployment below 4%. While some decline in residential building was anticipated, the extent of the reduction, aggravated by the unexpectedly severe credit squeeze, was not generally foreseen. Even more disappointing was the strength and pervasiveness of the upward pressures on prices in the economy and the readiness of labour and management to adjust to these pressures by seeking price and wage increases. While some improvement in productivity has occurred, it has been insufficient in most industries to maintain profit margins in the face of recent sharp increases in costs. The general picture is one of a prosperous dynamic nation on the threshold of even greater achievements provided we have the self-discipline to undertake the restraints needed to maintain a balanced economy.

The abnormal financial environment during the year, of course, influenced the operations of the life insurance industry. Purchases of new life insurance showed a modest increase of about 3% over the previous year, with sales of individual policies above that level and sales of group business lower. Because of the difficulty of borrowing from the banks and other sources policyowners have turned to their life insurance companies to secure funds for personal and business purposes and there has been an unusually large demand for policy loans. Voluntary repayments on mortgage loans were reduced. The Canada and Quebec Pension Plans have assumed part of the pension service formerly provided by the insurance industry so that the related premium revenue now goes into government coffers. As a result of these several factors the volume of net new funds available for investment by the life companies in 1966 was reduced to that extent.

It is worth noting, at this time of some uncertainty in the short term economic outlook, that the guarantees inherent in policies of permanent life insurance stand favourable comparison with other investment media. Public confidence in the stable qualities of life insurance, as a result of capable management and effective government supervision, is justified by an unique record of performance.

The sound progress and growth of Empire Life during the past year as reported hereunder are tangible evidence of the trust and confidence placed in your Company by persons planning for the future security of their families and themselves.

NEW BUSINESS AND INSURANCE IN FORCE

New life insurance sales made by our marketing organization during 1966 were \$96 millions in net amount, being an increase of 3% over the previous year. The net volume of new sales for individual policies was 6% below the previous year and group sales were up by 42%.

The total business in force is 78,789 policies for an amount in excess of \$639 millions, excluding business reinsured with other companies. Sterling business is included at a rate of exchange below the current level. The business in force is comprised of ordinary life insurance \$469 millions and group insurance \$170 millions. The net increase of business in force for the year is \$74 millions.

ASSETS

The Company's assets increased by \$5,291,695 commensurate with the growth in future obligations to policyowners, and reached a total of \$69,821,487. The proportion of the assets in each of the several investment categories and the changes from 5 years ago are indicated in the schedule:

	<u>1961</u>	<u>1966</u>
Bonds and debentures.....	41.6%	24.0%
First mortgage loans on real estate.....	44.9	60.8
Preferred and common stocks.....	5.7	7.7
Policy loans.....	6.6	6.4
Real Estate.....	1.2	1.1
Cash.....	.0	.0
	<u>100.0%</u>	<u>100.0%</u>

Again in 1966, the investment policy gave emphasis to the placing of new funds in mortgage loans on residential and commercial properties, with the balance going into stocks and increased policy loans. The segregated investment fund, which is primarily an equity fund, is not included in the foregoing schedule.

The net rate of interest earned on the invested assets, after allowance for investment expenses, was 6.06% an increase of 0.17% over the previous year.

POLICY RESERVE AND OTHER LIABILITIES

The liability of the Company under its obligations for future payments to policyowners is \$56,317,764. The amount of these reserves represents the present

value of benefits guaranteed less future premiums and interest. The reserves are based upon assumed factors of mortality and interest much more stringent than those required by statute, giving added strength to the Balance Sheet. Other liabilities relating to policy contracts, i.e., amounts on deposit with the Company, claims in process of settlement or unreported at the year end and sundry items are represented by an amount of \$3,013,685.

The Staff Pension Fund has increased to \$1,581,795, inclusive of the amount in the Segregated Investment Fund, while taxes and other accrued expenses and liabilities account for \$776,210.

REVENUE AND SURPLUS

The total net income for the year amounted to \$15,135,102, an increase of \$1,114,623 over the previous year. Of this amount the premiums were \$11,053,208 and the investment income \$3,906,882.

Benefit payments made to policyowners and beneficiaries, together with amounts set aside for them, were \$10,379,934. The amount paid to living policyowners was \$3,348,515 and death claims were \$2,326,517. The rate of mortality for 1966 was higher than any experienced in recent years.

For 1966 there was a substantial addition to the Company's unallotted surplus. For the protection of policyowners, in excess of the normal reserves, there is a margin of \$7,990,751 available by way of contingency and special reserves, capital stock and unassigned surplus.

POLICYOWNERS

A general reduction in the schedule of new premium rates for participating policies and a higher dividend scale have been authorized by the Board of Directors.

SHAREHOLDERS

Effective on 24th June 1966 the Company's shares were split on a ten for one basis and a stock dividend was issued at the rate of one share for every ten redivided shares held. This revision of the paid up capital was made by the application of the residual balance of the capital surplus formerly appearing in the Balance Sheet together with sufficient tax paid surplus to cover this transaction.

A dividend of 6 per cent on the \$1.00 par value shares, payable 24th February 1967 to shareholders of record 3rd February 1967 has been declared by your Board of Directors.

GENERAL

The results achieved in the past year are evidence of the fine loyalty and co-operation of the Company's field and office staffs. The Directors desire to state their thanks and appreciation to all concerned.

On behalf of the Board of Directors,

CHARLES P. FELL, President.

BALANCE SHEET

ASSETS

	1966	1965 (For Comparison)
CASH.....	\$ 1,135	\$ 1,100
BONDS AND DEBENTURES.....	16,433,831	16,172,062
FIRST MORTGAGES ON REAL ESTATE.....	41,669,537	37,947,702
PREFERRED AND COMMON STOCKS.....	5,233,021	4,399,015
REAL ESTATE (less amounts written off for depreciation)		
HELD FOR THE PRODUCTION OF INCOME.....	163,487	177,713
HEAD OFFICE AND BRANCH PREMISES.....	589,790	599,591
LOANS ON POLICIES.....	4,407,727	3,968,240
OUTSTANDING PREMIUMS.....	513,097	558,020
INTEREST, DUE AND ACCRUED.....	575,174	559,891
SEGREGATED INVESTMENT FUND.....	228,315	141,492
ALL OTHER ASSETS.....	6,373	4,966

Notes:

1. The basis of valuation of invested assets is cost or amortized value, less amounts written off from time to time, and the resulting book values are not in excess of the values authorized by the Association of Superintendents of Insurance of the Provinces of Canada.
2. Effective from July 1st 1965, the Company grant portion of the Staff Pension Fund is being invested in the Segregated Investment Fund.
3. The authorized capital stock consists of 2,000,000 shares of a par value of \$1.00 each, of which 704,528 shares are outstanding and fully paid up. During the year, \$64,048 of the shareholders' surplus was applied by way of a stock dividend to increase the paid-up capital by 64,048 shares. Supplementary letters patent were issued during the year increasing the authorized capital stock to 2,000,000 shares.

<u>\$69,821,487</u>	<u>\$64,529,792</u>
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CHARLES P. FELL, *President.*

H. H. BLAKEMAN, *Vice-President & Managing Director.*

To the Shareholders of
The Empire Life Insurance Company:

AUDITOR

We have examined the balance sheet of The Empire Life Insurance Company as at December for the year ended on that date. Our examination included a general review of the accounting procedure in the circumstances.

Accepting the certificate of the Company's Actuary for the actuarial liability under insurance and balance sheet and accompanying statements of revenue and expenditure, unallotted surplus and shareholders' company as at December 31, 1966 and the results of its operations for the year ended on that date.

Toronto, Canada, January 19th, 1967.

CEMBER 31, 1966

LIABILITIES

	1966	1965 (For Comparison)
POLICY RESERVES..... This is the amount which with interest and future premiums is actuarially calculated to be sufficient to provide for all payments under insurance and annuity contracts.	\$56,317,764	\$51,978,640
PROVISION FOR UNPAID AND UNREPORTED CLAIMS.....	814,415	1,124,985
AMOUNTS LEFT WITH THE COMPANY AT INTEREST..... Policy proceeds, dividends, etc.	2,199,270	1,978,781
BANK ADVANCES (SECURED)..... Reflecting forward investment of new funds.	386,309	183,218
STAFF PENSION FUND (note 2)..... See also segregated investment fund below.	1,494,762	1,402,464
PREMIUM AND OTHER TAXES PAYABLE.....	89,456	85,721
ACCOUNTS PAYABLE, AGENTS' CREDIT BALANCES AND OTHER AMOUNTS DUE AND ACCRUED.....	204,787	200,086
AMOUNTS RECEIVED, NOT YET ALLOCATED.....	95,658	154,229
SEGREGATED INVESTMENT FUND (note 2)..... Including \$87,033 belonging to Staff Pension Fund.	228,315	141,492
	<u>\$61,830,736</u>	<u>\$57,249,616</u>
SURPLUS, SPECIAL RESERVES AND SHAREHOLDERS' FUNDS:		
Provision for profits to policyowners.....	1,886,000	1,666,000
Capital stock, fully paid (note 3).....	704,528	640,480
Shareholders' surplus.....	58,884	91,901
General reserve for investments and contingencies.....	1,000,000	1,000,000
Unallotted surplus.....	4,341,339	3,881,795
	<u>\$ 7,990,751</u>	<u>\$ 7,280,176</u>
	<u>\$69,821,487</u>	<u>\$64,529,792</u>

REPORT

1966 and the statements of revenue and expenditure, unallotted surplus and shareholders' surplus and such tests of accounting records and other supporting evidence as we considered necessary

ity contracts and certain other liabilities to policyowners, we report that, in our opinion, the above

ders' surplus, as supplemented by the footnotes thereto, present fairly the financial position of the

Thorne, Mulholland, Howson & McPherson,
Chartered Accountants.

STATEMENT OF REVENUE AND EXPENDITURE

YEAR ENDED DECEMBER 31, 1966

	1966	1965 (For Comparison)
Revenue:		
Premium income.....	\$11,053,208	\$10,375,825
Consideration for settlement annuities.....	83,577	62,624
Investment income, less investment expenses.....	3,906,882	3,485,430
Staff pension fund contributions and grants.....	69,643	94,067
Miscellaneous income.....	21,792	2,533
	<u>\$15,135,102</u>	<u>\$14,020,479</u>
This revenue was used for:		
Death Claims.....	2,326,517	1,814,495
Matured endowments.....	553,814	518,914
Disability claims.....	26,474	11,202
Annuity payments.....	96,457	83,831
Payments under settlement annuities.....	72,398	69,166
Surrender values.....	2,056,990	1,788,320
Interest credited to amounts on deposit.....	98,337	87,707
Interest on claims.....	47,441	29,449
Dividends to policyowners.....	542,382	484,085
Increase in provision for future dividends.....	220,000	181,000
Increase in actuarial reserve.....	4,339,124	4,286,467
Total paid or credited to policyowners and beneficiaries.....	<u>\$10,379,934</u>	<u>\$ 9,354,636</u>
Taxes, excluding corporation and investment taxes..	221,709	204,165
Commissions.....	1,111,929	1,153,106
Directors' fees.....	14,380	13,137
Operating expenses.....	2,678,979	2,623,634
Increase in staff pension fund.....	92,298	105,198
Payments from staff pension fund.....	60,079	66,062
	<u>\$14,559,308</u>	<u>\$13,519,938</u>
Net revenue for year before undernoted items.....	<u>\$ 575,794</u>	<u>\$ 500,541</u>
Profit on sale of securities.....	\$ 131,499	\$ 9,586
Amount written off securities held.....	131,499	9,586
Transferred to unallotted surplus.....	<u>\$ 575,794</u>	<u>\$ 500,541</u>

SHAREHOLDERS' SURPLUS

YEAR ENDED DECEMBER 31, 1966

Balance, beginning of year.....	\$ 91,901
Add Transferred from unallotted surplus.....	<u>116,250</u>
	\$208,151
Deduct:	
Dividends paid.....	\$38,429
Transferred to capital stock, fully paid.....	64,048
Provision for taxes on income.....	46,790
	<u>149,267</u>
Balance, end of year.....	<u>\$ 58,884</u>

UNALLOTTED SURPLUS

YEAR ENDED DECEMBER 31, 1966

Balance, beginning of year.....	\$3,881,795
Add Transferred from statement of revenue and expenditure.....	<u>575,794</u>
	\$4,457,589
<i>Deduct:</i>	
Transferred to shareholders' surplus.....	<u>116,250</u>
Balance, end of year.....	<u><u>\$4,341,339</u></u>



Progress

(000 omitted)

	★	★	★	
	Premium and Interest Income	Reserves for Policyowners	Total Assets	Insurance in Force
1923 — \$ 22	\$ 6	\$ 108	\$ 1,174	
1928 — 242	303	699	9,139	
1933 — 584	1,977	2,526	16,115	
1938 — 1,478	8,534	9,400	37,918	
1943 — 1,742	10,494	11,993	47,827	
1948 — 2,656	14,212	16,777	83,145	
1953 — 4,234	19,736	23,006	130,437	
1958 — 6,827	28,860	34,771	231,456	
1963 — 11,341	43,780	53,796	420,000	
1965 — 13,861	51,979	64,530	565,000	
1966 — 14,960	56,318	69,821	639,000	
	★	★	★	

OFFICERS AND ADMINISTRATIVE STAFF

HENRY R. JACKMAN, Q.C.

Chairman of the Board

CHARLES P. FELL, LL.D.

President

HERBERT H. BLAKEMAN, F.S.A., F.C.I.A.

Vice-President and Managing Director

N. D. McDONALD, M.B.E., F.L.M.I.

Agency Vice-President

J. S. DELAHAYE, M.D.

Vice-President and Medical Officer

W. H. AITKEN, F.S.A., F.C.I.A.

Vice-President and Actuary

E. W. KAITTING, F.L.M.I.

Vice-President and Secretary

R. BALTRUWEIT, F.L.M.I.

Controller

G. D. DeRÉ, A.C.L.U.

Marketing Research Officer

N. G. BURNSIDE

Underwriting Officer

H. G. KELLY, M.D., F.R.C.P.(C)

Associate Medical Officer

K. J. HARDING, F.I.A., F.C.I.A.

Agency Administrative Superintendent

H. N. R. JACKMAN

Executive Assistant, Security Investments

W. H. MERRIAM, C.L.U.

Agency Development Superintendent

J. M. McINNIS, F.L.M.I.

Executive Assistant, Mortgage Investments

H. P. PERGANTES

Associate Agency Development
Superintendent

D. E. SCHLICHTER, A.C.L.U.

Superintendent, Group

BRANCH OFFICES AND AGENCIES

Branch Offices

Managers

BRITISH COLUMBIA

Vancouver - - - - - F. W. Banks

ALBERTA

Edmonton - - - M. B. Draper, C.L.U., Assistant Agency Vice-President

Calgary North - - - - - D. A. Wight, C.L.U.

Calgary Chinook - - - - - R. N. Thomas

MANITOBA

Winnipeg - - - - - R. H. Little

ONTARIO

Hamilton - - - D. Gainini, M.B.E., C.L.U., Assistant Agency Vice-President

St. Catharines - - - - - G. G. Cooper

Kingston (St. Lawrence) - - - - - C. J. Lawlor, C.L.U.

London - - - - - W. A. McCarvell

Ottawa - - - - - D. G. Fairweather

Toronto Centre - - - - - J. E. McKenna

Toronto West - - - - - R. W. Pogue

Toronto East - - - - - L. G. Ayles

Toronto Bathurst - - - - - J. H. Green

Toronto Bayview - - - - - W. H. Martin, C.L.U.

Windsor - - - - - L. Miller

Group (Toronto) - - - - - R. L. Davis

QUEBEC

Montreal - - - - - E. C. N. Lancot, C.L.U.

Montreal Centre - - - G. D. Shore, Assistant Agency Vice-President

Montreal St. Laurent - - - G. E. Ouwendyk, C.L.U.

Montreal Cartier - - - - - R. Martel

Quebec - - - - - J. L. Morency

Sherbrooke - - - - - R. G. Charbonneau

Trois-Rivières - - - - - L. Pidgeon, C.L.U.

Group (Montreal) - - - - - A. Vezina

PRINCE EDWARD ISLAND

Charlottetown - - - - - W. B. MacDonald

AGENCIES

Saskatoon, Sask. - - - - - Empire Agencies Limited

Toronto, Ont. - - - - - A. H. Bickerstaff Limited

Toronto, Ont. - - - - - Canadian Insurance Services Limited

Toronto, Ont. - - - - - W. A. Curtis & Company Limited

Montreal, P.Q. - - - - - Castle Insurance Agencies Limited

Bermuda - - - - - W. C. Roberts

Jamaica - - - - - Herman A. McCallum & Co.

